Operator: Good morning and welcome to Intercorp Financial Services' fourth quarter 2017 conference call. All lines have been placed on mute to prevent any background noise. After the presentation, we will open the floor for questions. At that time, instructions will be given as to the procedure to follow if you would like to ask a question. It is now my pleasure to turn the call over to Rafael Borja of i-advize Corporate Communications. Please sir, you may begin.

Rafael Borja: Thank you Carolina and good morning everyone. On today's call, Intercorp Financial Services will discuss its fourth quarter 2017 earnings. We are very pleased to have with us Mr. Luis Felipe Castellanos, Chief Executive Officer of Intercorp Financial Services, Mrs. Michela Casassa, Chief Financial Officer of Intercorp Financial Services, Mr. Christian Stockholm, Chief Financial Officer of Interseguro, and Mr. Bruno Ferreccio, Deputy Chief Executive Officer of Inteligo Group. They will be discussing the results that were distributed yesterday.

There is also a presentation to accompany these results. If you didn't receive a copy of the presentation or the earnings, it is now available on the company's website, ifs.com.pe, to download a copy. Otherwise, for any reason, if you need any assistance today, please call i-advize in New York at 212-406-3695. I would like to remind you that today's call is for investors and analysts only, therefore questions from the media will not be taken. It is now my pleasure to turn the call over to Mr. Luis Felipe Castellanos, Intercorp's Chief Executive Officer for his presentation. Mr. Castellanos, please go ahead.

Luis F.Castellanos: Great, thank you. Good morning to all and thanks for joining our earnings call to review our fourth quarter and year end 2017 results. First, some words on the macro environment. Today, official GDP numbers came out for 2017. GDP growth for the year was 2.5 percent. This growth number was affected by many factors including the El Nino phenomenon at the beginning of the year, the Lava Jato situation and the inability of the government to foster economic growth to investments due to prevailing political noise that exacerbated by year end. Domestic demand expansion was also low, below 1.5 percent. Inflation remains low, under control and the FX sol - dollar rate was relatively stable throughout the year.

As a result of this macro environment, the financial system had another year of low or moderate growth, both for loans and deposits. It is worth to mention that given the slow activity and El Nino, the PDL ratio for the system continued to increase. Having said that, the banking system in Peru remained solid, profitable and well capitalized. Under this scenario, we believe that 2017 was another good year for Interbank. We were able to gain market share both in loans and deposits outgrowing the system with solid profitability, being well provisioned and significantly improving our capital position. We did see an increase in provisions, particularly due to a deterioration of our credit cards book, but managed to efficient cost control to maintain good net income levels. We continue to heavily invest in our digital transformation with the objective of getting the customer's preference to digital and analytics.

During the year, we have launched products and services that encourage us to continue this route, given preliminary positive results. On another front, Interbank was, once again, recognized among the most admired companies in Peru, named as bank of the year by Latin Finance and achieved a number two position in the Great Place to Work ranking for large companies in Peru. Interseguro had a good year, as well, recovering from the impact after regulatory changes that were passed a couple years ago. Company's management has been able to successfully launch new products, diversify into new segments and resume growth in the annuity business with a clear focus on efficiency and cost control.

In addition, as we all know, the acquisition of Sura Seguros was a key transaction for our insurance platform that doubled the size of the company with synergies that we are already materializing, mainly to increase efficiency, which bring very positive expectations. With AUM's north of 11 billion and the leader in retirement annuities, Interseguro is well positioned to take advantage of the opportunities lying ahead for the life insurance industry in Peru. Inteligo had a very solid, profitable year again, achieving record recurring earnings with strong growth. Inteligo continues to provide IFS with important earnings diversification, strong fee income and a very profitable and efficient operation. It is worth to mention that both companies, Inteligo and Interseguro, were also included in the honor role of the Great Place to Work ranking in Peru, proving how important culture and working environment are for IFS as a base to achieve solid, sustainable results.

Now, a few words on 2018. Our expectation for a recovery in this year continues. However, we continue to be cautious, given certain issues that have not been resolved yet, including the crisis in the construction companies and continued political volatility. We expect GDP to be around 3.5 percent with an important recovery of internal demand. An expansionary policy by the central bank and the recovery of public and private investment also support our views of a GDP recovery. These recoveries should also be supported by more positive international environment related to global economic growth and a positive trend in commodity prices. So, we remain positive on a better year for Peru and the IFS platform stands ready to take advantage of the opportunities ahead of us. Thank you, now let me pass it on to Michela for a detailed review of our results.

Michela Casassa: Good morning. Let me start the discussion on results with an overview of the yearly results referring to pages two, three, four and five of the presentation, and afterwards, we will review, in detail, the quarterly performance. The main highlights are: at IFS, positive performance in the full year core earnings at the three operating companies, profits grew 0.5 percent in 2017 compared to the previous year and 9.5 percent when excluding discount rate impact on technical reserves at the insurance business. Relevant net income, which is the base for dividend payments, reached 1,253 million in 2017, which is an increase of more than ten percent due to integration of Sura Seguros and the additional contribution from Interbank, Interseguro, and Inteligo.

Full year return on equity was 19.5 percent when excluding discount rate impact. At Interbank, record earnings in 2017 with a 30-basis point quarterly improvement in cost of risk, due to lower provisions in credit cards. Full year net profit was 904.9 million, a 7 percent year on year increase attributed to higher revenues and relatively stable expenses. Full year ROE was 20.1 percent. 6.2 percent year on year growth in loans led to a 30 basis point gain in market share and market share in deposits grew 50 basis points year on year. Core equity tier one ratio was above the 10 percent mark. At Interseguro strong growth in net income excluding discount rate impact and 60 million local GAAP profit, coming from Seguros Sura.

Full year results were affected by a 207.4 million negative discount rate impact on technical reserves. Excluding such effect, net profit grew from 4.8 million in 2016 to 51.3 million in 2017 due to higher investment results. Combined net premiums including two months for Seguros Sura increased 17.3 percent year on year in the fourth quarter, mainly explained by the launch of private annuities. Full year net premiums, excluding provision of insurance was 360 million compared to 337.9 million in 2016. Investment portfolio grew 109.7 percent year on year, normalizing from Sura contribution growth was 13.5 percent year on year. The purchase of Seguros Sura was concreted on February 2, 2017.

Inteligo: a solid year in revenues, efficiency and profitability. Full year net profit was 187.8 million, a ten percent increase year on year attributed to solid results across all revenue streams. Full year return on equity was 27.3 percent.

Now, let’s have a look at the quarterly performance of IFS on pages seven and eight of the presentation. At IFS, net profit was 241.2 million in the fourth quarter, representing a 17.2 quarterly return on equity and it was 294.1 million earnings and 20.8 percent ROE, respectively when normalized from discount rate effect.

At Interbank, the fourth quarter net profit was 273.4 million, a 20 percent growth quarter on quarter and 22 percent growth year on year, mainly driven by the higher net gain on sale of securities. At Interseguro, the fourth quarter profit, excluding discount rate impact on technical reserves, was 24.8 million compared to 5.5 million in the third quarter and 29 million in the fourth quarter of 2016. At Inteligo, the fourth quarter net profit was 40.9 million, a 4 percent decrease quarter on quarter, but a 6.2 percent increase year on year, mainly driven by higher other expenses and an increase in other income, respectively.

Please turn to the following pages for a brief overview of the quarterly net earnings of IFS' three segments. On page 11, by the end of 2017 talking about Interbank and the financial system, it continued with low growth in loans, reaching roughly 4 percent over the last 12 months when looking specifically at banks. Retail loans grew less than 6 percent and commercial grew only 3 percent. PDLs reached three percent at system level with cost of risk relatively stable at 1.9 percent.

All of this has resulted in an impact in the financial system profitability of two full ROE points down to 17.7 percent. At Interbank, performing loans grew 2.6 percent on a quarterly basis as a result of increases of 3.8 percent in retail loans and 1.3 percent in commercial loans. Growth in retail loans was explained by increases of 6.9 percent in mortgages, 2 percent in other consumer loans and 1.8 percent in credit cards. The increase in mortgages was due to a higher dynamism in the traditional segment and to an acquired portfolio from Sura worth 229 million net of provisions. Growth in other consumer loans was mainly explained by higher payroll deductible loans.

The quarterly increase in commercial loans was due to higher short and medium-term loans, mostly in the corporate segment. Performing loans grew 6.2 percent year on year due to increases of 7.4 percent in retail loans and 4.8 percent in commercial loans. Retail loans grew year on year, mainly due to increases of 13.7 percent in mortgages and 8.4 percent in other consumer loans, partially offset by a 1.6 percent contraction in credit cards. The increase in mortgages was related to a higher dynamism in the traditional segment and the previously mentioned acquisition, while other consumer loans grew as a result of higher payroll loans, cash loans, and car loans.

Excluding the effect of the acquisition, the annual increase in mortgages was 9 percent, remaining as the highest growing retail product. The annual growth in commercial loans was mainly explained by higher short and medium-term lending related mostly to the medium and small enterprise segment. In this context of low growth in the market we have been able to increase our market share on total loans by 30 basis points on a yearly basis.

On page 12, deposits registered a strong growth on a quarterly basis, with a good growth in retail deposits of 6.5 percent in the quarter and a strong growth in commercial and institutional deposits of 28.6 percent. This growth in deposits has led to an increase in market share of 160 basis points in the quarter and 50 basis points in the year. It is worth to mention that the cost of funds has decreased 10 basis points in the quarter down to 2.8 percent and that deposits now represent 77 percent of total funding.

On page 13, when looking at SBS comparable figures to the system, Interbank's past-due-loan ratio increased 10 basis points to 2.9 percent on a quarterly basis and continues to be below the system average of 3 percent. The coverage ratio remains strong at 167 percent. The same trends are valid for the IFRS PDL figures. When looking at the PDLs breakdown, we can see within retail that consumer credit PDL have improved 10 basis points down to 2.3 percent and is below the system average of 2.6 percent. We have also seen an improvement in the credit card PDL ratio for the first time in many quarters of 10 basis points down to 5.6 percent, still above the system average of 5.1 percent. While mortgages PDL ratio has increased 30 basis points up to 3.7 percent, mainly due to the incorporation of the Sura portfolio which had higher PDLs.

Within the commercial portfolio, PDLs remained well below the system average and we have seen a good improvement in the medium-sized corporates, down 40 basis points in the quarter reaching 3.5 percent and well below the system average of 7.1 percent. A very important positive development in the quarter is the improvement of the annualized ratio of provision expense to average loans of 30 basis points down to 2.8 percent, thanks mainly to a better behavior of the credit card portfolio. This ratio remains above the system average of 1.9 percent, mainly due to the mix of the portfolio with a higher incidence of retail and credit cards when compared to the system and to the other big three banks.

Normalizing the effect of our portfolio mix, our ratio would be 2.2 percent, slightly above the system average. When looking at IFRS cost of risk figures, there has also been an improvement in cost of risk of 30 basis points, mainly due to a better risk profile of our credit card portfolio.

On page 15, as of the fourth quarter, Interbank’s capital ratio was 16.1 percent, 420 basis points above its risk-adjusted minimum capital ratio requirement established at 11.9 percent and above the system average of 15.2 percent. Core equity tier one ratio has improved substantially during the quarter and during the year, reaching 10.1 percent, 50 basis points above the previous quarter. Please turn to the following pages to discuss Interseguro’s results.

On page 18, net premiums in the fourth quarter increased 3.9 percent and 17.3 percent when looking at a yearly basis. The quarterly growth was due to Sura’s net premiums contribution of 18.9 million which was partially offset by a decrease of 11 million in annuities at Interseguro. The yearly growth was mainly explained by the contribution of Sura as well as a ten million increase in annuities at Interseguro. Annuities net premiums in the fourth quarter decreased 1.8 percent, but increased 23.3 percent on a yearly basis. The annual increase was mainly explained by the rapid growth in volume of premiums of the private annuities launched in October 2016, which largely offset the decrease of regular retirement premiums affected by the law that allows retirees withdraw significant portion of their pension funds, in place since April 2016.

On page 19, net premiums were 174.6 million in the fourth quarter, an increase of 6.5 million on a quarterly basis and 25.7 million on a yearly basis.

The quarterly growth was explained to the contribution of Seguros Sura's premium as previously mentioned, mainly related to individual life and disability and survivorship insurance, partially offset by an 11.4 million decrease in annuities at Interseguro. The annual increase was also explained by the contribution of Seguros Sura as well as a 10.2 million increase in annuities at Interseguro, partially offset by a 4.4 million decrease in retail insurance. Annuities' market share in the fourth quarter was 25 percent. Adjustment of technical reserves in the fourth quarter was 126.6 million, a reduction of 29 million on a quarterly basis and an increase of 132 million year on year.

The quarterly reduction was mainly due to a decrease in annuity premiums. This effect was partially offset by a higher discount rate (negative) impact in annuities. This rate decreased by 7 basis points in the third quarter and by three basis points in the fourth quarter for Interseguro and decreased by 7 basis points between October and December for Seguros Sura. The yearly increase was mainly a result of the growth in annuity premiums and a higher discount rate (negative) impact in annuities. This rate increased by 17 basis points in the fourth quarter 2016 but decreased three basis points in the fourth quarter of 2017 for Interseguro. Net claims and benefits incurred in the fourth quarter were 146.7 million, an increase of 53 million on a quarterly basis and 58.7 million on a yearly basis.

The quarterly growth was mainly due to 51.8 million higher claims as a result of the incorporation of Seguros Sura. The yearly growth was also related to the incorporation of Seguros Sura, in addition to an 8.4 million increase in annuity claims explained by a higher number of pensioners at Interseguro. Considering the factors previously explained, total premiums earned less claims and benefits resulted in minus 99 million in the fourth quarter.

On page 20, we can see that in the fourth quarter the insurance segment's investment portfolio reached 11.3 billion soles, increasing 86 percent quarter on quarter and 110 percent year on year. Normalizing from Sura's contribution, the growth was 0.8 percent on a quarterly basis and 13.5 percent on a yearly basis for the old Interseguro portfolio.

Results from investments in the fourth quarter were 132 million, which represented a 5.9 percent return on the insurance segment's investment portfolio. The quarterly increase in results from investments was explained by a 25.4 million increase in net interest and similar income, 2.2 million increase in net trading results and 2 million in rental income.

The yearly increase was explained by an increase of 26.8 million in net interest and similar income, 24.6 million in net gain on sale of securities and 7 million in evaluation gain from investment property. These effects were partially offset by a 33.5 million increase in impairment loss on available for sale investments, which was attributed to a book value adjustment of previously impaired instruments that were sold in the fourth quarter of 2016.

On page 22, we wanted to give you an update on Sura acquisition, as we have completed many important milestones in the process, including: the superintendency approval by end of September, the issuance of 300-million-dollar senior notes due to 2027 to finance the acquisition. Ratings for the issuance were BBB by Fitch and BBB- by Standard and Poor's. Coupon was 4 1/8 for the inaugural bond offering of IFS with a ten-year tenor. Moreover, in order to cover the FX exposure, we also closed a cross currency swap for 150 million dollars, which makes up for a total cost of funds of 6 percent for the soles related portion of the financing up to ten years. Merger filing submitted for approval of regulators by December. We have also already achieved personnel reduction from 548 to 54 full time employees and achieved 85 percent of cost synergies as of today.

On page 24 we will see Inteligo Group's results. Inteligo's net interest and similar income in the fourth quarter was 22.6 million, 0.6 percent decrease when compared to the third quarter. The quarterly result was explained by a decrease in interest and similar income as a result of lower performance of income on investments available for sale and lower income from Inteligo's loan portfolio. Net fee income from financial services was 31 million soles, an increase of 10 percent when compared to the previous quarter, mainly due to higher income from brokerage and custody services, and an increase in funds management income.

When compared to the fourth quarter of the previous year, net fee income from financial services increased by 1.8 percent year on year. The result was mainly attributable to an increase in funds management income while brokerage and custody services expenses increased in the fourth quarter, 2017. Inteligo's other income reached 26.9 million in the fourth quarter, an 80 percent increase in a quarterly basis, mainly explained by a 39.2 percent increase in net gain on sale of securities and a lower negative impact in other income related to fees from investments in the proprietary portfolio.

Other income increased by 15.5 million when compared to the fourth quarter of the previous year. This was attributable to a more-than-three-fold growth in net gain on sale of securities, partially compensated by a 5 million decrease in net trading gain in the fourth quarter of 2017. Other expenses in the fourth quarter increased by 65 percent when compared to the third quarter, mainly due to 11.8 million impairment loss on available for sale investments in the fourth quarter. Other expenses grew 61 percent on a yearly basis, mainly explained by the previously mentioned impairment loss. Excluding impairment charges, total other expenses would have increased 13.9 percent year on year.

On slide 25, assets under management plus deposits reached 14.2 billion in the fourth quarter, lower by 574 million or 3.9 percent when compared to the previous quarter, and lower by 5.8 percent when compared to the fourth quarter of 2017, mainly due to lower back to back loan activity. Inteligo's loan portfolio reached 1.3 billion on the fourth quarter, a decrease of 276 million and a 21.3 percent decrease on a yearly basis. Revenues generated by Inteligo were 80 million, a 22 percent increase on a quarterly basis and 27 percent increase on a yearly basis. Inteligo Bank's fee income divided by assets under management remained stable at 0.9 percent in the fourth quarter. Inteligo's net profit in the fourth quarter was 41 million, while annualized ROE was 23.2 percent.

Now, we welcome any questions you may have.

Operator: And, at this time if you would like to ask a question, please press the star and one on your touch tone phone. You may remove yourself from the queue at any time by pressing the pound key. Once again, that's star and one to ask a question. We'll pause for a moment to allow questions to queue. And we'll take our first question from Carlos Rivera with Citigroup. Your line is open.

Carlos Rivera: Hi, good morning everyone and thanks a lot for the presentation. My first question is regarding the outlook for loan growth and the political scenario in Peru. In the last conference call, you shared with us an expectation of 8 to 9 percent loan growth for this year. Has this changed following the situation in Peru in November and December and what do you expect in terms of loan growth by segments? Do you still feel that the SMEs and mortgage loans should be the ones that lead the growth?

And, my second question is regarding the cost of risk. We saw 2.9 percent for the full year, a big improvement in the fourth quarter. During the presentation also, Luis Felipe mentioned some risks related to the construction companies. So, what should we expect in terms of cost of risk for this year? Thank you.

Luis F.Castellanos: Hi, it's Luis Felipe. Thanks a lot. Yeah, we have not changed our outlook for growth. When we gave you that outlook we thought that the GDP was already going to be around 3.5 percent. We expect the system to go between 6 and 8 percent and as we did last year, we aim to outgrow the system. So, 8 to 9 percent continues to be our target. We do see a recovery in the mortgage and SME business as well as a recovery in our credit card portfolio. As you know we've been tightening our underwriting standards for the last two years.

We've seen some positive results at the end of last year which is the result of the work that we've been doing in order to reassess our risk profiling for our customers. So, we feel that we're ready to continue cautiously expanding. So, yes, we remain on those same numbers.

The question on the construction companies, obviously it poses a risk. I know everybody's here working hard to try to solve this issue and make sure that the projects that we have many and as a country in the foreseeable future, including the reconstruction of the North, the Panamericanos and a lot of very much needed infrastructure projects become a reality.

So, our base scenario is that this gets resolved. However, we are being very conservative on our interaction with the construction companies, obviously, which has already happened during last year. The growth of our portfolio has not come from growth on our exposure to construction companies, actually it has been reducing during the last couple of years, and I think that is true also for the system as a whole.

So, yes, we do see—we have a stress scenario where we could be booking additional provisions given the construction companies. But, overall, the exposure is not that big, and the behavior of our credit card portfolio is the main driver of our provisions every year. Around like 70 to 80 percent of our yearly provisions come from credit cards. So, as long as that portfolio continues to behave we should remain constant to that 3 percent level.

Carlos Rivera: Okay, thank you very much, Luis Felipe, for the answer.

Operator: And your next question comes from Diego Ciconi with Scotiabank. Your line is open.

Diego Ciconi: Hi, thank you for taking my question. I wonder if you could maybe quantify the impact that you had of write-off of intangibles in the quarter and specifically what are those related to and also, the impact of impairment of available for sale securities. How do you account for that and what impact they implied? And also, in terms of outlook for rates, what are you looking for and how do you expect that to impact the margins in this year?

Michela Casassa: Okay, we do have two impacts that you are referring to in your questions. When talking specifically about Interseguro, okay, we had an impairment coming on a real estate investment coming from Sura, and that was accounted in the fourth quarter. So, that is, roughly speaking, 20 million soles, if I'm not mistaken, which was accounted in the fourth quarter. On top of that, at Inteligo we've had some impairments on an available for sale investments, that were also accounted in the fourth quarter and that was, roughly speaking, 15 million soles. So, those are the two, if you want, impairments that we've had in the quarter at IFS level.

Diego Ciconi: Alright and the write-off of intangibles in the quarter, what was that related to and how much was it?

Michela Casassa: I'm not sure. We haven't had intangibles at Interseguro or Inteligo. If you will let me then check into detail and I'll come back to you, but I don't have in mind now any write-off of intangibles.

Diego Ciconi: Okay and so, the outlook for rates, what are you guys looking for?

Michela Casassa: What we are expecting for 2017 is a stable NIM, okay. Of course that stable NIM is the result of many things that come together, because we have some positive impact from the reduction of soles rates coming from last year. But of course, we also see a lot of competition in, for example, the commercial book. So, I think that putting together the two effects and plus some others, we are expecting a stable NIM for this year.

Diego Ciconi: Okay, great. Thank you.

Operator: And your next question comes from Felipe Ikari with Itaú BBA. Your line is open.

Felipe Ikari: Hi, good morning. Thank you for taking the question. I have one question. You mentioned on this presentation, the things that you expect from Sura from the cost side. What about the revenue side? What do you expect to come from the merger?

Luis F.Castellanos: Yeah, basically as we updated in the last call, basically, what Sura does, to Interseguro is that it doubles the size of the company with significant impact on cost. We do not expect significant commercial synergies, more are related to efficiencies. One of the things is that we have significantly reduced the sales for commercial potential of Sura. We're just keeping mainly Interseguro. Then, a couple of complimentary lines that we did not have in terms of sales force for life insurance is what we're keeping.

So, we basically see, there are some obviously commercial opportunities, but the quantification of the synergies come more from the cost side, which are significant. We expect, for instance our overhead to assets for Interseguro to come from around 1 percent to probably a little bit more than half of that. It's probably around 0.6, 0.7 percent for next year. So that's the way we materialize it.

And then, there's the view that the investment performance of Interseguro has been year in year out better than the one coming from the Sura portfolio. So, we do expect to get kind of an upgrade on the returns from the Sura portfolio once we've integrated into that insurance platform of Interseguro.

Felipe Ikari: Okay, that's very clear. Thank you.

Operator: And once again, that's star and one to ask a question. We'll take our next question from Sebastian Gallego with Credicorp Capital. Your line is open.

Sebastian Gallego: Hi, good morning everyone. Thanks for the presentation. I have three questions. The first one on Interbank, basically on credit cards, we have seen growth declining and we're also seeing rates declining in that market. Can you provide a bit more color on what's particular— on what's the particular outlook for credit cards, both in terms of margins and growth?

The second question is related to Interseguro. I want to emphasize once again on the write off of intangible assets at Seguros Sura. After two months of consolidation, if you can talk about that and also why the net claims were growing at a faster pace compared to the premium contribution?

And finally, more than a question is, just a comment on if you can provide an outlook, basically, on the guidance for Interseguro this year based on IFRS, not just local GAAP. Thank you.

Michela Casassa: Okay, starting with your first question on credit cards. First of all, the good news is that we've seen a recovery of the growth of the portfolio in the last quarter. As we showed you during the presentation, the credit card portfolio has grown in the quarter 1.8 percent which drives the annual decrease in the portfolio to 1.6 percent. At some point in time during the year, our credit card portfolio was decreasing, even 5 percent.

So, basically, after what Felipe mentioned and all the measures we've been undertaking in order to tighten the credit standards, we have started to feel comfortable and to grow again. Of course, the mix of the clients in which we are growing is a much healthier risk, which is also impacting the level of margins that you see in the product.

Basically, the margins during 2017 have been impacted at the very beginning because of risk due to the fact that with more risk there are more interests that you cannot recover or charge. That is one of the effects that we have seen in the past, but in the last months and going forward what we are seeing is a better risk profile of the portfolio, which comes with a lower cost of risk, that with also a slightly lower margin.

So, that would be, if you want the answer for the first question. Let me pass it to Christian Stockholm, who's going to go into the detail of the intangible at Interseguro.

Christian Stockholm:Good morning. Well, actually, the adjustment on intangibles are basically an unused software from Sura. This is a minor amount. It's 4 million soles. That's all.

Luis F.Castellanos: And, I guess your second question had two parts. One was intangible. What was the second part of your second question, sorry?

Sebastian Gallego: Yeah. I mean, first of all, regarding the intangibles because when I see the other expenses on Interseguro, it's 44 million soles compared to 30 last time. I was just wondering because it seems like 4 million soles is not that much compared to the write-off that—or the other expenses that you were reporting. And, the other question actually, the second question was, why are net claims and benefits growing at a faster pace compared to net premiums after just two months of contribution coming from Seguros Sura? Thank you.

Christian Stockholm: Sure. Well, starting with your last question the increase is basically for Sura because we have for November and December this new company. So, the technical figures increased because of that. Secondly, in the other expenses we have there a mix of things, including an impairment on—well, not an impairment, but a change in valuation on the real estate portfolio and other sales. So, those are adjustments, basically one-time adjustments on the Sura investment portfolio. So, we are combining these assets and that's why we have that increase.

Sebastian Gallego: Okay, thank you and if you can just answer the question on the outlook for this year for Interseguro, particularly under IFRS terms.

Christian Stockholm: Sure, Interseguro are combined. We basically—well, we expect to increase significantly the revenues and net profits. So, we expect to basically double the net income for Interseguro this year because this—we've had a lot of synergies from the acquisition.

Luis F. Castellanos: Having said that, next year is going to be a new year with new reporting standards for IFRS 9. So, we're still working on that to see the actual effect. But, the core operation of the company, as was mentioned, should significantly boost net income coming from Interseguro.

Michela Casassa: Moreover, as you are all aware, we will be presenting our IFRS 9 figures for the first quarter and we are also working on trying to change the methodology of the accounting of technical reserves. In order to try to anticipate implementation of the new IFRS, which is coming for insurance and we are ultimating details. And if we are able to do that, we should be able to match the positive and negative impact from the variations in discount rates through net worth, and that should remove from the P&L the volatility that we've been seeing in the past quarters on the calculation of technical reserves. That's on the income on Interseguro under IFRS.

Sebastian Gallego: Okay, just to confirm, the doubling net income at the insurance business or at Interseguro is just under local GAAP figures, not under IFRS. Right?

Luis F.Castellanos: Yes.

Sebastian Gallego: Okay, thank you.

Luis F.Castellanos: Which is, at the end is relevant for dividend distribution as well.

Operator: And your next question comes from Erwin He with TIAA. Your line is open.

Erwin He: Hi guys. Thanks for taking my question. I noticed that you guys, for S&P, went on negative outlook at the beginning of this month. I'm just curious if you guys have been talking to them and what that dialogue is like and if you plan to get a third rating by Moody's because you guys are in the Global Agg index.

Luis F.Castellanos: Yeah, which—this is Felipe again. Thanks for your question. We've been talking with S&P, as we are under credit watch, that's due to a transaction that was done by one of our sister companies in the group and based on S&P's methodology, they are reviewing the whole economic group, basically, and that touches InRetail, which is the one that did the big acquisition, it touches our holding, ultimate holding company, which is Intercorp Peru, and it's also reviewing IFS.

It actually came out as a surprise for us, but in our discussions, we've discovered this part of their methodology. We present our case of stronger results and better capitalized IFS during the last month. So, we actually don't expect actions to really happen, but you know they are going through their methodology and we're in constant dialogue with them. We'll see what happens. I guess they gave it for 90 days, so they're doing their work.

Michela Casassa: Just one additional comment. When comparing to the timing which we received the rating for IFS, most of the key figures of IFS during the last quarter, have strengthened, in particular, the core equity tier one ratio in the bank has substantially improved, reaching more than 10 percent. So, when you look at IFS standalone there wouldn't be any reason for any change in outlook.

Luis F.Castellanos: So, the watch comes not for anything particular to IFS, but basically on something happening throughout the group that does not affect IFS.

Erwin He: Right, I agree. I mean, the results are good, but it seems like it's the methodology. Would you guys consider a third rating?

Luis F.Castellanos: Sorry?

Erwin He: Would you guys consider getting a third rating agency rating for your bonds?

Luis F.Castellanos: Not for the moment. We want to see what's happening, the dialogue has been very constructive. Again, the methodology comes from what they're doing, but we proved to have a stronger platform now and when we got the rating we did not have any link to parent support. So, whatever happens there is to be seen, but we're still on a waiting mode with a positive view.

Erwin He: Understood, thank you.

Operator: And, your next question comes from Natalia Corfield with JPMorgan. Your line is open.

Natalia Corfield: Good morning all. Thank you for taking my question. Going back a little bit to the construction companies, if you could specify exactly how much is your exposure or what percentage of your exposure to those companies, would be helpful.

And also, if you could provide more color on what's going on. Particularly, I know that the banks, they had an agreement or—there's an agreement with Graña y Montero. It seems that this is not moving forward because of the decree in congress that's not allowing the company to sell assets. Give color on that and if you think that all of this is going to impact your provisions, that would be great.

Luis F. Castellanos: Yeah, let me give you some numbers. In terms of our total exposure to the construction sector, and that includes construction sector and suppliers and cement companies as well, of our total loan book, that's less than 3.5 percent of total exposure.

Then, if you go to the companies that are in this list that came at the beginning of the year, just of direct loans, and that list implies like around 30-something companies, our exposure is less than 0.5 percent, we only have indirect loans to those companies, less than 20 million dollars.

So, in terms of direct exposure it's very low. Exposure comes from indirect loans, of which we have different types of indirect exposure. Some are for project completion, some for cash advances that were provided by companies. So, the level of exposure's there. There's a metric where you can kind of get an equivalent of the indirect exposure towards direct exposure, so you can provide a comparative of the whole book and that's also around 3.5 percent of our whole direct and indirect exposure.

So, we're talking, among all, less than 320 million dollars of direct exposure and indirect exposure to those companies. The agreement among the banks with Graña y Montero has been working, we've provided a line of indirect exposure, mainly the four main banks, and that's been worked with the company. We've put a limit, obviously. And then we've been working as a system and the big change is going to come from this law being passed by congress, we have already made our observations to the law. If it's passed, the way we expect it to pass, and that should happen in the next 30 days, it will provide a relief for the system, whereby in a very controlled way, companies will regain access to credit so they can complete projects and then, start new projects as required.

Probably there will be some winners and some losers, but it will be a positive catalyst towards the recovery of the sector and obviously of the macroeconomic environment of the country.

Natalia Corfield: That's very clear, thank you.

Operator: And once again, that's star and one to ask a question. And there are no more questions at this time. I would like to turn the program back to Mrs. Casassa for any closing remarks.

Michela Casassa: Okay, thank you everybody for joining the call and we will be hearing each other again during the next quarter call. Thank you.